OUR ASSETS ARE STRONG. OUR FUTURE IS BRIGHT.

GULFSTREAM
RESOURCES CANADA LIMITED

2000 ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

Gulfstream Resources is a Canadian company that operates exclusively in the International arena. Its core assets are in Qatar, Oman and Madagascar. The Company has immediate prospects for growth in production and cash flow and sizeable potential in the longer term. Gulfstream maintains a corporate office in Calgary, operations headquarters in Cyprus and field offices in Oman and Madagascar. The Company trades on the Toronto Stock Exchange under the symbol "GUR."

ANNUAL MEETING

The Annual General Meeting of Shareholders is scheduled for Tuesday, March 20, 2001 in the Lakeview Room, The Westin Hotel, Calgary, Alberta at 3:00 p.m.

HIGHLIGHTS

SUMMARY OF RESULTS ($ thousands except where noted)	2000	1999
Gross sales (bbls/d)	**2,943**	4,551
Sales price (U.S. $/bbl)	**$ 23.45**	$ 12.95
Petroleum and natural gas sales	**$ 24,299**	$ 18,563
Total revenue	**$ 25,384**	$ 34,574
Production expenses	**$ 12,812**	$ 12,406
Total expenses	**$ 21,927**	$ 25,267
Net income	**$ 1,326**	$ 7,220
Cash flow, before working capital changes	**$ 7,383**	$ 16,502
Financing activities	**$ (3,647)**	$ (17,864)
Investing activities, before working capital changes	**$ (11,403)**	$ (29,632)
Net property, plant and equipment	**$ 118,172**	$ 108,802
Total assets	**$ 121,673**	$ 117,956
Debt	**$ -**	$ 3,468
Shareholders' equity	**$ 111,683**	$ 107,160
Proven oil reserves (mmbbl)	**22.6**	23.6
Proven gas reserves (bcf)	**287**	290

Gulfstream's fiscal year end is at September 30.

Sales and reserves represent Gulfstream's working interest share. Proven reserves are based on independent evaluations at September 30 and exclude reserves in the North Field in Qatar. Results exclude the impact of subsequent acquisitions in Qatar.

POLITICAL RISK MAP

Grade A: Low Risk

Grade B: Medium-Low Risk

Grade C: Medium Risk

Grade D: Medium-High and High Risk

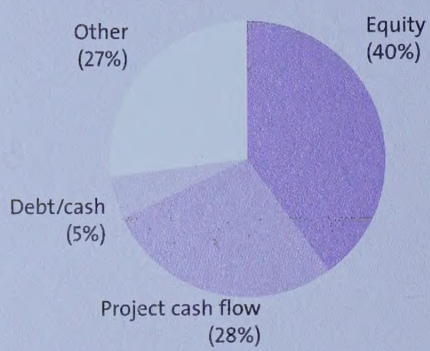
Source:
AON Group Limited and Euromoney Plc
politicalrisk@aon.co.uk


QATAR
OMAN
MADAGASCAR

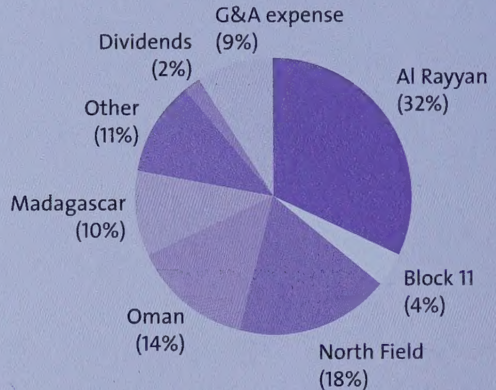
Gulfstream Resources was re-structured in mid-1993 and recorded its first production in late-1994. Since that time, the Company has funded its activities from diverse, principally non-debt sources, expenditures have been project focused and reserves have been added at low cost. At September 30, 2000, the value of these reserves was significantly greater than the market capitalization of the Company.

Gulfstream's Sources and Uses of Cash Since 1994

Sources of Cash



Uses of Cash

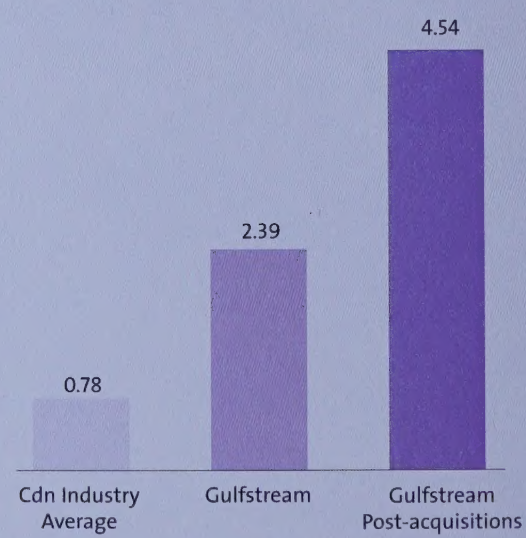


Our assets are strong. Our future is bright.

Finding and Development Costs
Latest five year period, Cdn $/BOE

Finding and development cost for proven reserves. Gulfstream cost includes all capital expenditures over the period plus future capital for Al Rayyan expansion and Oman gas development. Gulfstream proven reserves are according to independent estimates for Al Rayyan and Oman. Gas/oil conversion = 10 : 1.

Ratio of Proven Reserves Value to Market Capitalization



Net present value of proven reserves discounted at 10 percent. Market capitalization calculated at September 30, 2000. Gulfstream values are according to independent estimates for Al Rayyan and Oman assuming constant year-end product prices, before and after subsequent acquisitions in Qatar.

	GLOBAL REALITIES	GULFSTREAM RESOURCES
1	Fiscal terms are typically negotiable and define an intimate relationship between the project sponsor and host government.	Gulfstream negotiated the first production sharing and sales agreement for gas in Oman and the first hydrocarbon concession under a restructured Petroleum Code in Madagascar. While oil and natural gas rights in Qatar have been defined since 1976, there have been several redefinitions, renegotiations and extensions. In all instances, liaison with host governments is formally defined and is effected through various committee structures.
2	Consultations with host governments take time, especially when multiple partners are involved.	Although exacerbated by other factors, planning and approvals for expansion of the Al Rayyan field in Qatar have been in process for several years. In Oman, the three year period from acquisition of Block 30 to final approval for development is a short time by international standards.
3	Technical considerations are often overshadowed by marketing challenges or political realities.	Development of the North Field in Qatar has been entirely dependent on an initial gas sales agreement. In Madagascar, underdeveloped markets and energy infrastructure are significant but not insurmountable challenges.
4	The international industry is dominated by large multi-national or state-owned companies operating or exploring for large fields that, by the nature of the global resource base, are few in number.	Gulfstream's strategy is to acquire development opportunities that are considered to be too small for large multi-nationals. This is an untapped opportunity in many parts of the world.
5	Smaller international projects are often large by domestic standards.	The Al Rayyan field in Qatar and Hafar development in Oman are larger than 97 percent of producing fields in Canada.
6	The majority of countries in the world are considered to have high political risk.	Gulfstream's core assets are in countries with lower political risk. (See accompanying map.)

A MESSAGE FROM THE CHAIRMAN

In many respects, the year 2000 unfolded as we expected it would.

At this time last year, we were anticipating final approvals for our key short-term projects in Qatar and Oman. We expected that BP's pending takeover of operatorship in Qatar would make a difference, and we knew that we would have an opportunity to acquire interests of our multi-national partners. We knew that we would not be drilling in Block 11 in the year 2000 and we saw the likelihood of no formal extension of gas rights for the North Field in Qatar if the Consortium's efforts lagged. We were working to conclude our precedent-setting gas sales agreement with the Government of Oman. We had developed the seed of an exciting idea for development in Madagascar.

We saw the need to expand our financing options. Oil prices were on the rise, to reach new highs by mid-year. With stronger prices and with efforts to optimize production at Al Rayyan, we expected better operating results than in 1999, although we realized that results would be tempered by OPEC quotas and by the high operating costs of the existing temporary facilities. We knew that financial markets for oil and gas were improving and that this would assist our financing initiatives.

We were right, as it turns out. But we weren't right about everything.

BP's commitment to expand Al Rayyan in Qatar was not formalized until November of the year. Signing of the requisite gas sales agreement in Oman was delayed until June. OPEC quotas deepened, and operations were shut down by BP in July for necessary maintenance and upgrading. We did not foresee a U.S. $37 oil price. At that price level, equity markets should have been stronger. We believed our share price would stabilize and eventually strengthen towards the end of the year. That prediction looked good in June, but has not been realized since then.

Today, we have a re-formed and revitalized consortium in Qatar. We have expanded our interests in the country in a significant way that is consistent with our strategy to acquire assets that are too small, non-core, or too labour intensive for large multi-national corporations. Our gas development in Oman is fully approved, allowing the first stage of development to proceed. Financings are falling into place.

We expect to be active in 2001. Two re-drills and six new wells are planned at Al Rayyan. A two-phased work plan is in place for Oman, including an initial re-testing and drilling program and construction phase. Drilling activity is also scheduled in Block 11 in Qatar.

Our future is bright. But there is still work to be done, and our involvement will not be risk free.

As always, we face the regulatory and business risks particular to international operators, in addition to the technical risks common to our industry. In the shorter term, Gulfstream will rely on a supportive host government for our expansion plans at Al Rayyan, particularly with regard to the forward production profile and the role of OPEC quotas. In Oman, additional debt financing depends on definitive re-testing and drilling results in the

initial phase of development. And overall, our financing initiatives must keep pace with our ambitions.

There is some distance ahead, but the road to be travelled to bring our near-term projects into production is far shorter than it has been, and we believe that our expectations and timelines are realistic and achievable.

While Gulfstream will remain focused on its short-term projects, we will continue to advance our longer-term assets. We are confident about prospects for Block 11 in Qatar. We are moving in new directions in Madagascar and foresee a viable initial project. We are working to safeguard our interests in the giant North gas field in Qatar. And we are taking steps to add to our assets in core areas.

We believe that development activity and expanding production will be valued by the market. Our mandate for the coming year is to build a corresponding record of success, and we are ready for the challenge.

I wish to take this opportunity to express my appreciation for the long standing contributions of John Craig, who has recently retired from the Board of Gulfstream after serving as a Director since 1976. In addition, we welcome Patrick de Pelet to our Board, who brings an extensive background in international industry and finance to Gulfstream, most recently with Dresdner Kleinwort Benson in London, England. These changes offer new dynamics and opportunity for our Company in the years ahead.

Sincerely,

J. Angus McKee
Chairman

1997	*Block 30 EPSA awarded*
1998	*317 km seismic program*
1999	*Approval of Hafar gas development*
2000	*Gas Sales Agreement signed, major construction contracts awarded*

OMAN

PROJECT	DESCRIPTION	STATUS
Hafar Gas Development	Sales gas 84 mmcf/d, Gulfstream interest 100%	Fully approved, proceeding with initial development phase
Block 30 Exploration	To be integrated with Hafar development	Drilling locations identified

1995	*Al Rayyan oil discovery*
1996	*Phase 1 of Al Rayyan development, ALR-8 discovery in Block 11*
1997	*3,350 km seismic program in Block 11, 2 wells added at Al Rayyan (6 total)*
1998	*OPEC quotas introduced*
1999	*2 wells added at Al Rayyan (8 total)*
2000	*Rationalization initiatives and 3D seismic program at Al Rayyan, re-formation of Qatar Consortium*

QATAR

PROJECT	DESCRIPTION	STATUS
Al Rayyan [Block 12]	Producing from temporary facilities	Phase 2 expansion awaiting final approvals
Block 11	Oil and gas exploration and development	2 wells scheduled in 2001
Block 13	Oil and gas exploration and development	Under force majeure
North Field Natural Gas	Gas development	Marketing rights lapsed

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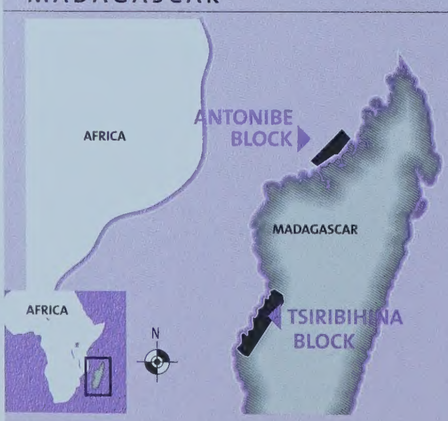
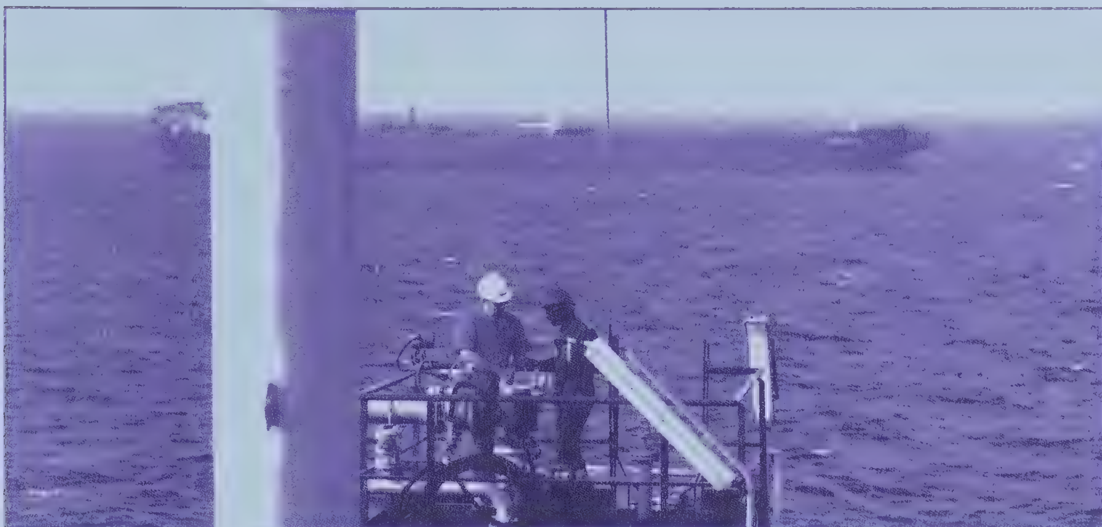
1995	*Letters of Intent for Tsiribihina and Antonibe Concessions*
1997	*Convention documents signed, 300 km seismic program at Tsiribihina*
1998	*Aeromagnetic survey at Antonibe*
2000	*Development strategy for Tsiribihina endorsed by the Government*

MADAGASCAR



PROJECT	DESCRIPTION	STATUS
Tsiribihina	Oil and gas exploration and development	Advancing development proposal
Antonibe	Oil and gas exploration and development	Continuing technical review



View from current production platform at Al Rayyan, with storage tanker in background.

QATAR

Gulfstream has been a member of a consortium of companies operating in offshore Qatar since 1976. Participation interests and companies within the Qatar Consortium have evolved over that time but have been unchanged since late-1994. Since then, Gulfstream has held a 27.5 percent interest in the 1976 Exploration and Production Sharing Agreement (covering the Al Rayyan oil field, Block 13 and North Field natural gas) and in Block 11, which is governed by a separate agreement. Gulfstream's partners have been ARCO (operator), BG Exploration & Production, Wintershall and Preussag Energie. BP assumed operatorship of the Qatar Consortium in April 2000 as a result of its takeover of ARCO.

At Gulfstream's year-end of September 30, 2000, its participation interests in Qatar were unchanged at 27.5 percent. However, Gulfstream and its partners had been negotiating to re-structure interests in Qatar through much of the year.

By late-2000, various agreements between the members of the Qatar Consortium had been finalized, pending final closing, to re-align interests in the 1976 EPSA and Block 11 assets. As a result, Gulfstream's interests in Al Rayyan, Block 13 and the North Field increased to 65 percent, Preussag Energie increased its participation from 5.0 percent to 7.5 percent and BP retained its interest of 27.5 percent and operatorship. In consideration, Gulfstream agreed to pay up to U.S. $10 million from a portion of its net cash flow from a North Field development, and pay a total of approximately U.S. $9.25 million at closing. In addition, Gulfstream expanded its participation interest in Block 11 to 49 percent, while Wintershall increased its interest to 51 percent and assumed operatorship. The net cost to Gulfstream was a cash payment of approximately U.S. $1.7 million.

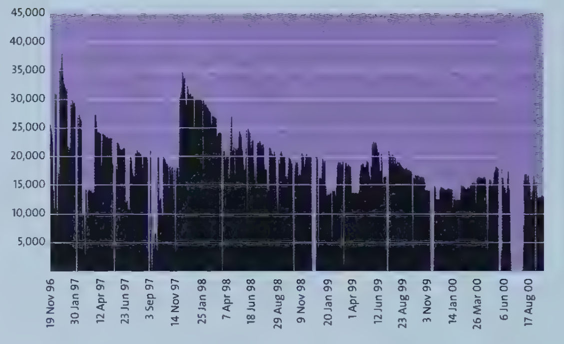
Gulfstream was able to expand its interests in Qatar by exercising rights of first refusal as defined by operating agreements among the Consortium. The Company has added to its core assets by acquiring the interests of its large multi-national partners for whom these assets had become non-core, at costs that reflect the pre-emptive nature of Gulfstream's rights of first refusal and represent pre-expansion values for Al Rayyan. In the process, Gulfstream has realized a significant and immediate increase in corporate production, cash flow, reserves and potential.

AL RAYYAN (BLOCK 12)

The Al Rayyan oil field in Block 12 was brought into production in late-1996 and produced approximately 27 million barrels of oil to the end of December 2000. Oil production capacity is currently about 15 thousand barrels per day from eight horizontal wells.

Al Rayyan oil is of medium quality and is sold under long-term contract at a price related to Arab heavy crude oil. In the 2000 fiscal year, gross production averaged 12.1 thousand barrels per day and was limited by OPEC quotas. Gulfstream's working interest share of production was 3.3 thousand barrels per day for the year.

Al Rayyan Production
(Gross barrels per day)



The accompanying graph shows gross oil production from Al Rayyan since inception. The initial four well development was expanded to six wells in late-1997 and to eight wells in mid-1999. Production has been constrained by OPEC quotas since mid-1998, set initially at 19 thousand barrels per day and declining to the current level of 12 thousand barrels per day. Production in 2000 was also affected by optimization initiatives and a shutdown that was initiated by BP for safety-related upgrades and maintenance in July and early August. One well was acidized, higher capacity pumps were installed and topside facilities were de-bottlenecked early in the year. In addition to this activity, the Consortium completed a 3D seismic program across the field in September 2000, to assist drilling and development initiatives in 2001.

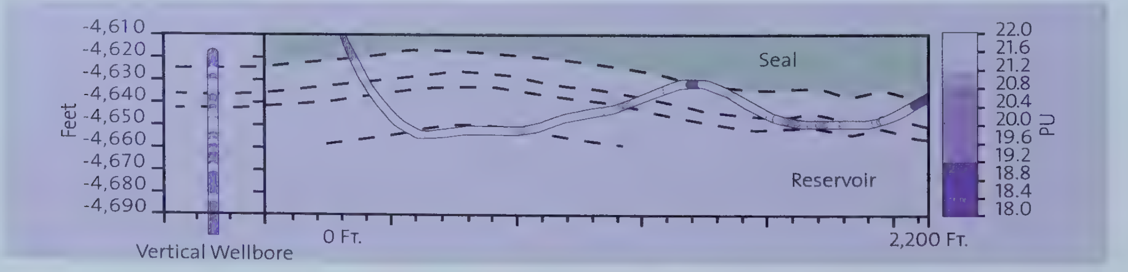
The commercialization of Al Rayyan was a key event for the Qatar Consortium, which faced expiry of oil and natural gas rights in mid-1996. Subsequent to the Consortium's successes at Al Rayyan, a long-term development license was granted for the field, Block 11 rights were re-defined and rights to North Field gas were outlined in the form of a marketing agreement.

Resource Description

Al Rayyan is a flat anticlinal structure which has a relief of seventy feet across a ten kilometre diameter. The producing Arab formation has high permeability, good porosity and a strong water drive. The producing reservoir horizons are the Arab-A and Arab-C. These form part of the Arab sequence formed by the shoaling of the Tethys Sea in Late Jurassic. This sequence comprises a series of shallow marine limestone horizons alternating with anhydrite layers that form effective seals. The sequence is capped by the massive Hith anhydrite.

The strong water drive and high porosity and permeability of the reservoir provide for oil recoveries approaching 30 percent and necessitate the handling of large volumes of water.

Horizontal Porosity Profile



This schematic of the horizontal section of one of eight producing wells at Al Rayyan shows porosity variation along the length of the wellbore.

Development History

The low relief of the Al Rayyan field, variable well recoveries and active aquifer have presented technical challenges and have warranted a phased development approach. Development was initially conceived as a two-stage process, consisting of the current pre-development phase utilizing a temporary jack-up production facility and followed by full-field development. Production from the current phase is limited by electrical and fluid handling capacities of the temporary platform and production costs are impacted by leasing expenses for both the platform and storage tanker. As operating costs are largely fixed and production has been limited by fluid capacity as well as OPEC quotas, per unit operating costs have been inflated and cash flow has been constrained.

A Plan of Development to replace and expand production facilities was approved by the Government of Qatar in late-1998. However, expansion plans were delayed by low oil prices in 1999 and the prolonged takeover of the previous operator, ARCO, by BP. The ARCO-led consortium presented an Optimized Development Plan for the field in early-1999 in response to the low price environment. That plan was augmented and updated by BP in late-2000.

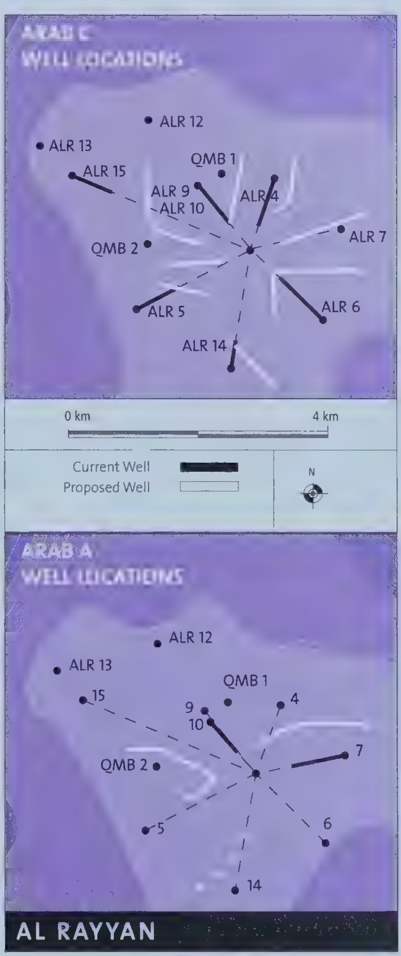
The Future

BP completed a detailed review of all dimensions of the Al Rayyan asset in 2000 and subsequently confirmed its commitment to expansion. The Expansion Plan of Development was presented to the Government of Qatar on November 30, 2000, outlining a plan to replace the current temporary platform with a refurbished jack-up facility capable of producing 45 thousand barrels per day of oil and 180 thousand barrels per day of fluid. Two redrills are planned in early 2001 plus six additional horizontal production wells later in the year.

The replacement platform at Al Rayyan has been secured by an option to purchase. Gross capital cost for the project is estimated to be U.S. $140 million. At the current time, the Government has asked the Consortium to initiate rig selection.

The proposed development schedule calls for start-up on March 1, 2002. In the base case scenario, the addition of two sidetracks is expected to increase gross production to an average of 17 thousand barrels per day for the 2001 calendar year. Production is to be brought up quickly to 35 thousand barrels per day from the replacement platform with the addition of six wells. The Plan of Development assumes that production complies with OPEC quotas.

The full field development plan allows for optimal recovery of remaining proven reserves and accommodates upside reserve and production outcomes. Operating costs and profits will be considerably improved, with operating costs declining from the current U.S. $5.60 per barrel level to under U.S. $2.00 per barrel during plateau production and U.S. $3.15 per barrel over the forward field life. These operating costs are considered to be low for an offshore environment. In addition, environmental and safety performance will be significantly enhanced.



Proposed locations for the initial wells in the Arab-C and Arab-A horizons.

Impact

At September 30, 2000, Gulfstream's 27.5 percent share of remaining proven recoverable reserves at Al Rayyan was 22.6 million barrels according to an independent reserve evaluation. At 65 percent, Gulfstream's working interest share of proven reserves increases to 51.9 million barrels.

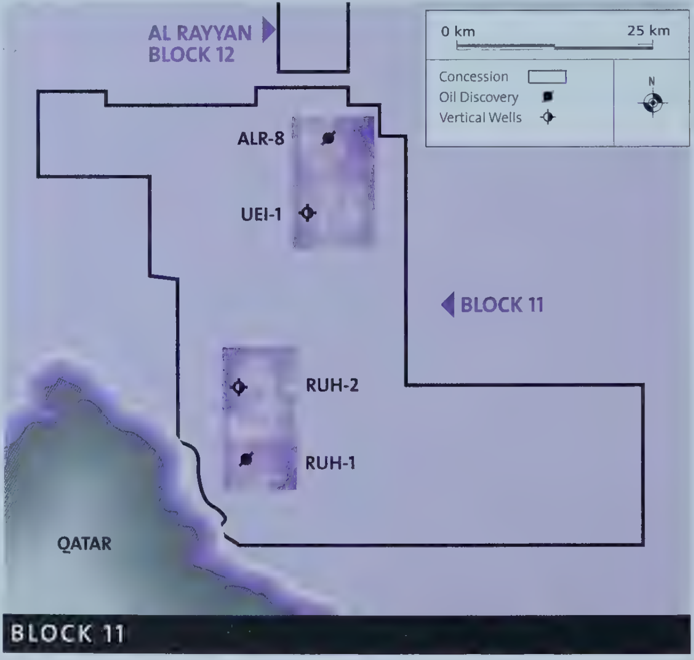
AL RAYYAN RESERVES (Independent Evaluation)	SEPT 30, 2000	SEPT 30, 1999
Project (100%)		
Current year production (mmbbl)	4.4	6.0
Remaining proven reserves (mmbbl)	78.1	80.3
Probable reserves (mmbbl)	43.0	45.2
Total proven + probable reserves (mmbbl)	121.1	125.5
Gulfstream (27.5%)		
Remaining proven reserves (mmbbl)	22.6	23.6
Year-end price for Al Rayyan oil (U.S. $/bbl)	$ 28.81	$ 20.23
Net present value@10% - U.S. $million (constant price)	$ 102	$ 81
Probable reserves (mmbbl)	11.8	12.4
Total proven + probable reserves (mmbbl)	34.4	36.0
Gulfstream (65%)		
Remaining proven reserves (mmbbl)	51.9	-
Year-end price for Al Rayyan oil (U.S. $/bbl)	$ 28.81	-
Net present value@10% - U.S. $million (constant price)	$ 225	-
Probable reserves (mmbbl)	28.0	-
Total proven + probable reserves (mmbbl)	79.9	-

BLOCK 11

Block 11 encompasses a large 2,641 square kilometre area in offshore Qatar adjacent to and south of the Al Rayyan field. The Qatar Consortium conducted a 3,350 kilometre seismic program across the Block in early 1997. A total of eight wells have been drilled within the Block area, including the ALR-8 well that was drilled in 1996 as a step-out to the Al Rayyan discovery and encountered oil in a separate structure.

Wintershall and Gulfstream have proposed a two-well drilling program for 2001 to test two prospects, including the structure intersected by ALR-8. The drilling of these wells fulfills the initial work commitment defined in the Block 11 Exploration and Production Sharing Agreement.

The Block 11 environment is technically similar to Al Rayyan but with the potential of premium-



Block 11 encompasses a large 2,641 square kilometre area and is technically similar to Al Rayyan.

quality crude oil. Interpretation and appraisal will benefit from the experience and knowledge gained from Al Rayyan, and future development of the Block could benefit from synergies with the expansion plan for Al Rayyan.

Gross probable reserves of 130.3 million barrels have been assigned to Block 11. At September 30, 2000, Gulfstream's 27.5 percent working interest share of probable reserves was 35.8 million barrels, which increases to 63.8 million barrels for a 49 percent interest. These estimates are unchanged from the prior year.

THE NORTH FIELD

The Qatar Consortium has held rights to natural gas from a portion of the giant North Field, the world's largest non-associated natural gas field, since 1976. In July 1997, the Consortium entered into Amending Agreement No. 1 which clarified and extended terms of the 1976 Exploration and Production Sharing Agreement with regards to North Field gas. Terms of Amendment No. 1 were originally granted for a two-year period to July 1999, with provision for extension. In October 1999, marketing rights were extended for an additional year. Those rights lapsed in July 2000 and have not been extended at this time.

Marketing efforts of the Qatar Consortium have focused on the Dubai market. Preliminary engineering for a U.S. $1.4 billion production, processing and transportation project to deliver 800 million cubic feet per day has been completed.

Despite the commercial and political rationale of a gas sales agreement between Qatar and Dubai, there has been a continuing delay that has been complicated by a myriad of competing interests attracted by the tremendous strategic and economic value of an initial link in a Gulf-wide gas grid. We continue to believe that a resolution is achievable and expect this will be clarified in the coming year.

BLOCK 13

Block 13 is a highly prospective area that has been under force majeure since 1986 due to a border dispute with neighbouring Bahrain. The Block covers 1,380 square kilometres and is on trend with Qatar's largest producing oil field – the Dukhan field. As a result, Block 13 is one of the most attractive unexplored acreages in the Gulf region. Once resolved, oil and gas exploration rights extend for approximately seven years.

H.E. Dr. Mohammed bin Hamad bin Saif Al Rumhy, Minister of Oil and Gas for the Sultanate of Oman, and J. Angus McKee, Chairman of Gulfstream, finalize a precedent-setting Gas Sales Agreement in June, 2000.

OMAN

Gulfstream has a 100 percent interest and is operator of the Block 30 concession in central Oman. This 1,200 square kilometre area is an amalgamation of portions of two former concessions and contains three existing gas discoveries.

Gulfstream entered into the Exploration and Production Sharing Agreement (EPSA) for Block 30 in late 1997 and completed a 317 kilometre seismic program in late 1998. A Plan of Development for the Hafar area of the Block was subsequently submitted to the Government of the Sultanate of Oman in February 1999 and final approval was granted in October of the year. That approval included the definition of key commercial terms for the purchase of natural gas by the Government, and the corresponding Gas Sales Agreement was signed in June 2000. Commerciality was formally declared by Gulfstream in October 2000, as required by the terms of the EPSA.

Resource Description

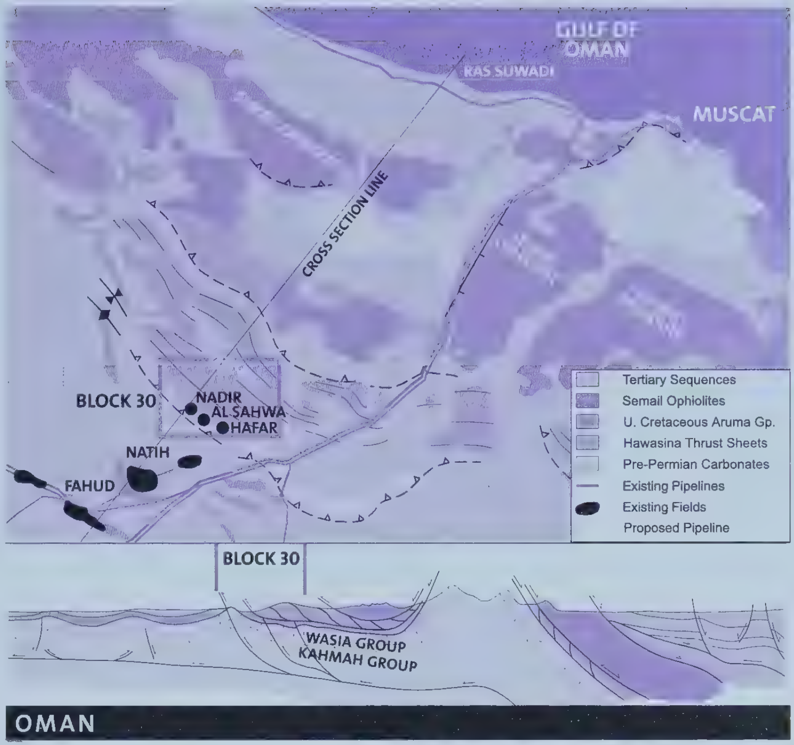
Block 30 is located in north-central Oman over the present foreland basin of the Oman Mountains, approximately 200 kilometres from the capital of Muscat. The target reservoirs feature relatively low porosity and permeability with significant net pays and good well deliverability. Porosity varies between 4 percent and 10 percent depending on the zone. Net pay for individual zones varies between 71 feet and 229 feet.

There is abundant evidence that fracturing contributes, at least locally, to the reservoir characteristics. Petrophysical analysis reveals both proven and probable gas-bearing intervals in the three tested wells.

Gulfstream has identified three gas structures – Hafar, Al Sahwa and Nadir. The producing formations are the Natih and Shuaiba.

History

The Hafar-1, Nadir-1 and Al Sahwa-1 wells were tested by previous operators and rates up to 16 million cubic feet per day were achieved. These operators were drilling for oil and discovered gas, for which there was no foreseeable market at that time. In addition, the test results seemed to indicate small gas pools, potentially dual-porosity and possibly fractured. Cores suggested low porosity and low permeability.



Regional view and cross-section of Block 30.

These perceptions have changed as a result of re-appraisal, a renewed work program and an expanding gas market. The re-construction and re-analysis of old well test, core, log, and seismic data, the application of satellite imagery and the results of an extensive seismic program indicate a series of structural closures trending northwest and containing significant volumes of natural gas. A fourth structure along this trend is being targeted for additional reserves.

Over the past decade, average daily consumption of natural gas in Oman has tripled while a substantial portion of proven gas reserves has been dedicated to LNG. This divergence of supply and demand has created the necessary market conditions for a gas development targeting the domestic gas market.

The Hafar gas development in Block 30 is a precedent-setting project within Oman, as it is the first gas development by a private concession holder and the first purchase of natural gas by the Government. In addition, the Government of Oman has taken a progressive step to realize the role and capabilities of smaller companies in the development of oil and gas reserves in the country.

The Future

The Hafar Block 30 Plan of Development outlines a plan to drill, produce and transport natural gas reserves found within three structures along the Hafar-Nadir fault and structure trend in the south-west of the Block. Reserve additions are expected during the course of ongoing appraisal and drilling and will be integrated into the strategy, concepts and designs outlined in the Plan of Development.

According to the Plan, five additional wells will be drilled for a total initial well count of eight (four Hafar wells, two Al Sahwa wells and two Nadir wells). The Hafar and Al Sahwa wells will be dually completed, with the lower pressured gas from the Natih zone at Al Sahwa boosted by 600 horsepower of field compression to inlet plant pressure. The Nadir wells will be single completions in the Natih zone, and likewise supplemented by a 1,500 horsepower field compressor. Fifteen kilometres of 6-inch gathering lines will be laid down along the foot of the mountains, and 8-inch and 10-inch buried lines will carry the gas to the central processing facility near Hafar.

The drilling plan consists of an initial re-testing of two existing wells to narrow reservoir performance parameters, verify seismic interpretation and assist final design. A step-out well is also planned during this period.

Facilities are designed to utilize proven and reliable technologies for simplicity of construction and operation. Equipment will be skid-mounted and packaged to reduce on-site construction. To minimize operating costs, facilities will be designed for limited operator intervention and maintenance.

The gas processing facility will have a nameplate capacity of 100 million cubic feet per day and is to be modular-built to accommodate a second 100 million cubic feet per day train. Water dewpoint control will be achieved by glycol injection and hydrocarbon dewpoint will be maintained by propane refrigeration and low temperature separation. Liquids will be comingled with the inlet field condensate and stabilized for transport by truck, and sales gas will be transported via a 12-inch diameter pipeline to the Government gas gathering system, 16 kilometres from the processing facility. The plant will average 84 million cubic feet per day of sales gas and 250 barrels per day of condensate, but will vary output on a seasonal basis to match demand.

The Hafar development is supported by a long-term gas sales agreement that defines a maximum daily volume of 110 million cubic feet per day, a maximum annual volume of 30.66 billion cubic feet (average of 84 million cubic feet per day) and total volume of 297 billion cubic feet over a 25-year contract life. The gas price is fixed, is paid in U.S. dollars and escalates annually at 1.5 percent per year.

Capital cost for the development on a go-forward basis to start-up is approximately U.S. $38 million. A 10 to 12-month construction and development period is envisioned from initiation of the testing and drilling campaign to first gas production.

Impact

Proven and probable reserves have been assigned to Block 30 by an independent engineering firm and are essentially unchanged from year-end 1999. Proven reserves total 287 billion cubic feet with additional probables of 141 billion cubic feet.

OMAN RESERVES (Independent Evaluation)	**SEPT 30, 2000**
Gulfstream (100%)	
Sales (mmcf/d)	84
Proven reserves (bcf)	287
NPV@10% (U.S. $million)	$ 35
Probable reserves (bcf)	141
Total proven + probable reserves (bcf)	428

Native Baobab trees along coastal route from Morondava, in the Tsiribihina block.

MADAGASCAR

Gulfstream has interests of approximately 80 percent in two large concessions in Madagascar, one onshore and one offshore, both containing sizeable gas discoveries. Gas development offers a significant opportunity for Gulfstream and for the country of Madagascar, which currently has no oil and gas production or infrastructure. Imports of 15 thousand barrels per day of crude oil service the entire refined products demand in the country.

Both concession agreements define long-term appraisal, marketing and development periods. Work programs are currently within prescribed schedules.

The Antonibe offshore area encompasses 5,200 square kilometres in the Majunga Basin. Two wells have previously tested natural gas in the Block. A very large seismic anomaly is the target of initial appraisal work. Gulfstream completed an aeromagnetic survey across the Block in mid-1998.

Tsiribihina covers 26,700 square kilometres in the onshore Morondava Basin. The concession area includes 13 wells drilled by previous operators. Numerous leads and prospects have been identified from existing seismic data. A 300 kilometre seismic program was completed over a portion of the Block in late-1997 over an area covering several prospective gas fields, including the West Manambolo well which has an estimated potential of 1 trillion cubic feet of gas in place.

Apart from its technical due diligence, Gulfstream has been investigating market and development options since it became active in Madagascar in mid-1997. These options have ranged from large-scale to phased developments, for gas, gas products and derivatives. In 2000, Gulfstream presented a proposal to the Government for a pilot project supplied from known reserves at West Manambolo, which would fuel a modest electrical grid. That proposal has been enthusiastically received by the Government of Madagascar and by outside supporters – government agencies and potential partners. Further work will be done in 2001 to advance this opportunity.

OTHER ASSETS

In 1999, Gulfstream entered into an agreement with Jehan Energy Ltd. to provide limited and subordinated off balance sheet credit support to Jehan for the purchase of certain assets from Hardy Exploration & Production (India) Inc. In return, Gulfstream received a fee payment, a 7.8 percent ownership in Jehan, representation on their Board and options to acquire additional shares in the company. The assets acquired include three offshore India blocks, one of which is producing in excess of 6 thousand barrels per day and is 18 percent owned by Hardy/Jehan.

SHAREHOLDERS AND MARKET DATA

The balance of outstanding common shares at September 30, 2000 was approximately 59.5 million and unchanged from the prior year. Market capitalization using the year-end closing price of $1.45 per share was $86 million.

Gulfstream announced a dividend of 0.25 cents per share on November 13, 2000 to be paid to shareholders of record on December 13, 2000.

INCOME STATEMENT

Revenue for 2000 totalled $25.4 million, consisting of $24.3 million of petroleum sales from Al Rayyan and $1.1 million of other revenues that included a U.S. $250 thousand gain from the disposal of the Company's remaining interests in Indonesia. Revenue for the prior year was $34.6 million, with $18.6 million of petroleum sales, $14.6 million of contract settlement income associated with certain agreements with Atlantic Richfield Company and $1.4 million of interest and other income.

Gulfstream's working interest share of production for the year was 3.3 thousand barrels per day from Al Rayyan. Gross sales averaged 2.9 thousand barrels per day or 1.5 thousand barrels per day after the Government's production share.

Production downtime in 2000 was approximately 30 percent due to a five-week shutdown in July/August for required safety and environmental upgrades, workovers and de-bottlenecking activities. This period was twice the downtime experienced in 1999 which was itself a year of high maintenance outages.

On a total project basis, oil production for the year averaged 12.1 thousand barrels per day which translates to about 17 thousand barrels per stream day, compared to oil production for 1999 which averaged 16.5 thousand barrels per day. Eight cargoes were sold during 2000 averaging 490 thousand barrels per shipment. The average realized price for Al Rayyan oil for the fiscal year was U.S. $23.45 per barrel which compared to an average Brent price of U.S. $27.01 per barrel over the period. The average price for Al Rayyan oil in 1999 was U.S. $12.95 per barrel compared to Brent prices that averaged U.S. $14.56 per barrel.

Total expenses in 2000 were $21.9 million compared to $25.3 million in the prior year. The reduction was due to a $1.3 million write-down in 1999 related to Indonesia and reduced depletion, administration and interest expense in 2000. The reduced depletion expense was a result of lower production in the year, and the drop in administration expense was due to financing charges recorded in 1999. Production expenses increased slightly to $12.8 million from $12.4 million, reflecting optimization initiatives at Al Rayyan in 2000.

Income before taxes was $3.5 million in 2000 versus $9.3 million in 1999. Income before taxes in 1999, excluding contract settlement income and asset write-downs, was a loss of $4.0 million due to lower oil prices in 1999 despite higher production when compared to 2000.

Income taxes in 2000 were $2.1 million and essentially unchanged from 1999, yielding a net income of $1.3 million or 2 cents per share for the year versus $7.2 million or 12 cents per share in 1999.

CASH FLOW

Cash flow from operations before changes in working capital was $7.4 million or 12 cents per share in 2000. This compares to $16.5 million and 28 cents per share in 1999 (including $14.6 million of contract settlement income).

Financing activities consisted of a use of funds of $3.6 million as a result of a payment of $3.5 million which eliminated the Company's debt. Financing activities in 1999 also resulted in a use of funds of $17.9 million for debt repayment and dividends.

Investing activities in the year totalled $11.4 million. Expenditures on oil and gas interests of $13.1 million were partially offset by $1.9 million of proceeds from the sale of fixed assets and disposal of investments. Oil and gas expenditures were apportioned as follows: $5.0 million for Al Rayyan, $4.1 million in Oman, $0.6 million in Block 11, $1.0 million for the North Field and $2.4 million in Madagascar. Oil and gas spending in the prior year totalled $29.6 million, principally at Al Rayyan and in Oman.

After working capital changes, Gulfstream recorded a net use of funds of $5.9 million in 2000 compared to a use of $13.2 million in 1999. Cash at year-end was $0.6 million, down from an opening balance of $6.5 million.

BALANCE SHEET

Current assets at September 30, 2000 were $3.5 million and current liabilities totalled $9.8 million. In comparison, current assets in the prior year were $9.2 million and current liabilities totalled $10.6 million.

Net property, plant and equipment at year-end was $118.2 million versus $108.8 million at September 30, 1999. Bank indebtedness was zero, compared to $3.5 million for the prior year.

Shareholders' equity totalled $111.7 million with $68.9 million of share capital, $37.7 million of retained earnings and $5.1 million in the cumulative translation account. Shareholders' equity at September 30, 1999 was $107.2 million.

Total assets reached $121.7 million at year-end compared to $118.0 million one year earlier.

FINANCING

Gulfstream's focus in 2000 was to finalize approvals for its near-term developments at Al Rayyan and in Oman and to conclude the re-structuring of the Qatar Consortium.

By June 2000, Gulfstream had secured a Gas Sales Agreement in Oman. The Company declared commerciality effective October 1, 2000 as required under the terms of the Production Sharing Agreement. The Full Field Expansion Plan for Al Rayyan was presented to the Government of Qatar on November 30 and is awaiting final approval. By the end of December 2000, the majority of agreements to realign interests in the Qatar Consortium had been concluded.

Two financings were completed late in 2000 to support acquisition initiatives in Qatar and launch the initial phase of development in Oman. In October, Gulfstream Resources Canada Limited issued approximately 4.9 million common shares to Chieftain International, Inc. for U.S. $5 million, or Cdn. $1.55 per share, representing approximately 8.2 percent of the issued and outstanding shares of the Corporation. The companies also entered into an option agreement

whereby Chieftain may acquire a 21.25 percent participation interest in assets covered by the 1976 Exploration and Production Sharing Agreement with the Government of Qatar and a 13.75 percent participation interest in Block 11. Chieftain has not exercised its option at this time and dialogue between the two companies is continuing.

Gulfstream Resources finalized a U.S. $10 million financing with a major international bank in December 2000. The financing was based on the forward sale of about 425,000 barrels of oil to fully repay the loan, including interest and related costs, over a fifteen-month period commencing January 2001. The transaction effectively fixed the selling price for 20 percent of Gulfstream's current share (net of the Government's share) of marketed oil from Al Rayyan.

Continuing financing initiatives are being undertaken with a number of sources, including the Company's current bankers. All financing activities will be augmented by increased cash flow from Gulfstream's expanded interest in Al Rayyan, particularly if production targets in the Expansion Plan are realized and oil prices continue to be strong.

BUSINESS RISKS AND BUSINESS ENVIRONMENT

Gulfstream operates in the international oil and gas business. Expectations and performance are accordingly subject to both the rewards and risks inherent in the oil and gas industry and in foreign investment. Company activities are governed by agreements with governments over a specified time period that define work obligations, relinquishments, fiscal terms and other matters of a contractual nature. Prices and sales of petroleum are determined by international market conditions.

With the exception of Al Rayyan oil, all of the Company's operations are in a pre-production stage. Commercial success ultimately depends on the successful identification of sufficient quantities of reserves, markets and financing to bring these projects into production, none of which can be predicted with certainty.

The Canadian dollar is the reporting currency of the Company and its subsidiaries operate using U.S. dollars.

AUDITORS' REPORT TO THE SHAREHOLDERS

TO THE SHAREHOLDERS OF
GULFSTREAM RESOURCES CANADA LIMITED

We have audited the consolidated balance sheet of Gulfstream Resources Canada Limited as at September 30, 2000 and 1999 and the consolidated statements of operations, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Arthur Andersen LLP

Chartered Accountants

December 18, 2000
Calgary, Alberta

CONSOLIDATED BALANCE SHEET

As at September 30, 2000 and 1999

ASSETS	2000	1999
Current assets:		
Cash and cash equivalents (Note 6)	$ 613,619	$ 6,497,094
Accounts receivable	1,569,622	2,361,165
Crude oil inventory	1,317,694	296,356
	3,500,935	9,154,615
Property, plant and equipment (Notes 3 and 4)	118,172,298	108,801,723
	$ 121,673,233	$ 117,956,338

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (Note 5)	$ -	$ 3,467,730
Accounts payable and accrued liabilities	9,752,334	7,152,399
	9,752,334	10,620,129
Site restoration and abandonment	238,018	176,302
Commitments and contingencies (Notes 3, 9 and 12)		
Shareholders' equity:		
Share capital (Note 7)	68,890,789	68,890,789
Retained earnings	37,683,543	36,506,568
Cumulative translation account	5,108,549	1,762,550
	111,682,881	107,159,907
	$ 121,673,233	$ 117,956,338

Approved by the Board:

Director

Director

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

For the Years ended September 30, 2000 and 1999

		2000		1999
Revenue:				
Petroleum and natural gas sales	$	**24,299,425**	$	18,563,236
Contract settlement income (Note 3)		**-**		14,580,168
Interest and other income		**1,085,054**		1,430,201
		25,384,479		34,573,605
Expenses:				
Production		**12,812,267**		12,406,137
Depletion and depreciation		**6,830,429**		7,906,758
Administration (Note 4)		**2,247,995**		3,424,656
Write-down of oil and gas interests (Note 3)		**-**		1,322,384
Interest and financing		**35,971**		207,341
		21,926,662		25,267,276
Income before provision for income taxes		**3,457,817**		9,306,329
Provision for income taxes (Note 8)		**2,132,051**		2,086,534
Net income	$	**1,325,766**	$	7,219,795
Net income per common share (Note 7):				
Basic and fully diluted	$	**0.02**	$	0.12

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Years ended September 30, 2000 and 1999

		2000		1999
Retained earnings, beginning of year	$	**36,506,568**	$	30,475,513
Net income		**1,325,766**		7,219,795
Dividends		**(148,791)**		(1,188,740)
Retained earnings, end of year	$	**37,683,543**	$	36,506,568

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

For the Years ended September 30, 2000 and 1999

	2000	1999
Operating Activities:		
Net Income	$ **1,325,766**	$ 7,219,795
Depletion and depreciation	**6,830,429**	7,906,758
Write-down of oil and gas interests	**-**	1,322,384
Gain on sale of fixed assets	**(733,894)**	-
Unrealized foreign exchange (gain) loss	**(39,728)**	53,400
	7,382,573	16,502,337
Changes in non-cash working capital	**964,309**	56,991
	8,346,882	16,559,328
Financing activities:		
Proceeds from issue of common shares	**-**	145,200
Decrease in bank indebtedness	**(3,498,555)**	(16,820,051)
Dividends paid	**(148,791)**	(1,188,740)
	(3,647,346)	(17,863,591)
Investing activities:		
Additions to oil and gas interests	**(13,149,417)**	(29,552,552)
Additions to fixed assets	**(185,908)**	(79,234)
Proceeds on sale of fixed assets	**1,932,558**	-
	(11,402,767)	(29,631,786)
Changes in non-cash investing working capital	**780,028**	17,778,743
	(10,622,739)	(11,853,043)
Foreign exchange gain (loss) on cash held in foreign currency	**39,728**	(53,400)
Decrease in cash	**(5,883,475)**	(13,210,706)
Cash and cash equivalents, beginning of year	**6,497,094**	19,707,800
Cash and cash equivalents, end of year	$ **613,619**	$ 6,497,094
Supplementary cash flow information:		
Interest received	$ **206,213**	$ 1,410,672
Interest paid	$ **45,290**	$ 1,229,001
Income taxes paid	$ **2,166,958**	$ 2,006,252

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Gulfstream Resources Canada Limited is a holding company. Through its subsidiaries, the principal business is to acquire, develop, exploit, process and transport gas and oil. Gulfstream Resources Canada Limited and its subsidiaries are collectively referred to as "Gulfstream" or "the Company".

Commercial development and recoverability of all cost centres, with the exception of the Qatar oil operations (Note 3), is dependent on successful identification of sufficient quantities of reserves, securing markets for gas, oil and liquids, and obtaining the financing to bring these projects into production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Gulfstream Resources Canada Limited and its direct and indirect wholly owned subsidiaries.

Joint Ventures

The majority of oil and gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Oil and Gas Interests

The Company follows the Canadian full cost method of accounting for oil and gas interests whereby all costs of exploring for and developing oil and gas reserves are capitalized and accumulated in country-by-country cost centres. Capitalized costs include expenditures for land and concession acquisition, carrying and retaining undeveloped properties, geological and geophysical activities, drilling productive and non-productive wells, consulting services, interest costs on unproved properties and major development projects, and general and administrative costs relating to oil and gas exploration and development activities.

Limitation on Capitalized Costs

For projects that have not yet reached commercial development, capitalized costs in each cost centre are assessed annually for recoverability. Capitalized costs that are considered unlikely to be recovered are written off. Revenues are offset against capitalized costs of the related cost centre until quantities of proven reserves are determined and commercial production has commenced.

When a cost centre has developed commercial quantities of proven oil and gas reserves, the capitalized costs of oil and gas interests are subject to a ceiling limitation test. Costs accumulated for each cost centre, less accumulated depletion and depreciation, are limited to the undiscounted estimate of future net revenue from production of proven reserves, plus the net cost of major development projects and the cost less impairment of unproven properties. Future net revenues are determined after provision for expenses including royalties, direct operating costs, future development expenditures, interest, taxes, general and administrative expenses and the cost of site restoration.

Proceeds from the disposition of oil and gas interests in commercial production are deducted from capitalized costs of the cost centre, unless the disposition results in a significant change in the depletion rate, in which case a gain or loss on disposal is recognized.

Depletion, Depreciation and Provision for Future Site Restoration

When commercial production commences, costs accumulated in a cost centre, including provision for necessary future development expenditures, are depleted and depreciated using the unit-of-production method over the life of estimated proven reserves. Excluded from these costs and reserves are significant development projects prior to the commencement of commercial production and unimpaired expenditures on significant exploration projects pending an assessment of the existence of proven reserves.

All oil and gas cost centres, with the exception of the Qatar oil operations (Note 3), are in the pre-production stage and the related capitalized costs with a carrying value of approximately $82 million (1999 - $72 million) are not currently subject to depletion and depreciation.

Estimated future site restoration costs are provided for using the unit-of-production method over the life of estimated proven reserves. The provision is included in depletion and depreciation expense and costs are estimated by the Company based on current regulations, costs, technology and industry standards. Site restoration expenditures incurred are recorded as a reduction of the accumulated provision.

The provisions for depletion and depreciation of oil and gas interests and site restoration and reclamation are based on estimates of reserves and future costs. By their nature, these estimates, as well as estimates related to the future cash flows used in the full cost ceiling limitation test and estimates to assess the recoverability of non-commercial oil and gas interests, are subject to measurement uncertainty and the impact of the uncertainty on the financial statements could be material.

Fixed Assets

Fixed assets are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives.

Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of crude oil and condensate inventory is determined based on average lifting costs.

Income Taxes

The deferral method is followed whereby the provision for income taxes is based on the consolidated statement of operations. Differences between the provision for income taxes and income taxes currently payable would be reflected as deferred income taxes.

Stock Option Plan

The Company has a stock option plan. No expense has been recognized when stock options were issued as the options were issued at exercise prices equal to the market value of the shares at the date of grant. Any consideration paid on exercise of stock options is credited to share capital.

Foreign Currency Translation

The assets and liabilities of foreign operations considered financially and operationally independent are translated into Canadian dollars from their primary currencies using exchange rates at the balance sheet date. Revenue and expense items are translated using the average rates of exchange throughout the year. Gains and losses resulting from this translation process are deferred and included in the cumulative translation account in Shareholders' Equity.

Transactions and monetary balances denominated in a currency other than a primary currency are translated into the primary currency using month-end exchange rates. Gains and losses resulting from this translation process are included in income.

3. SEGMENTED INFORMATION

2000 (Thousands)	Qatar	Madagascar	Oman	Indonesia	Consolidated
Revenues	$ 24,299	$ -	$ -	$ -	$ 24,299
Operating profit	$ 5,141	$ -	$ -	$ -	$ 5,141
General corporate expenses	-	-	-	-	(2,768)
Interest and other income	-	-	-	-	1,085
Income taxes	-	-	-	-	(2,132)
Net income	-	-	-	-	$ 1,326
Identifiable assets	$ 78,934	$ 16,976	$ 24,566	$ -	$ 120,476
Corporate assets	-	-	-	-	1,197
Total assets	-	-	-	-	$ 121,673

1999 (Thousands)	Qatar	Madagascar	Oman	Indonesia	Consolidated
Revenues	$ 33,143	$ -	$ -	$ -	$ 33,143
Operating profit	$ 13,470	$ -	$ -	$ (1,322)	$ 12,148
General corporate expenses	-	-	-	-	(4,271)
Interest and other income	-	-	-	-	1,430
Income taxes	-	-	-	-	(2,087)
Net income	-	-	-	-	$ 7,220
Identifiable assets	$ 76,877	$ 14,086	$ 19,872	$ -	$ 110,835
Corporate assets	-	-	-	-	7,121
Total assets	-	-	-	-	$ 117,956

Gulfstream participates in oil and gas activities as a joint venture partner with other companies and is contractually committed under various agreements to complete investment expenditures in order to maintain its interests.

Qatar

(i) Qatar EPSA

Gulfstream has a 27.5 percent participation interest in the Qatar Exploration and Production Sharing Agreement (the "Qatar EPSA") and related amendments to the Qatar EPSA with the Government of Qatar (See Note 12).

At September 30, 2000, the consortium under the Qatar EPSA has unrecovered costs of approximately U.S. $207 million (1999 - U.S. $196 million) that are recoverable from future production. Gulfstream's interest in the unrecovered costs is approximately U.S. $73 million (1999 - U.S. $62 million).

Oil

Effective January 1, 1997, management determined that Qatar oil achieved commercial production.

Gas

Effective July 16, 1997, Gulfstream entered into Amending Agreement No. 1 to the original Qatar EPSA. The amending agreement grants to the consortium the exclusive right to explore for, develop, produce and transport non-associated gas, condensate and liquified petroleum gas (LPG) from the Gas Area. This agreement expired on July 16, 2000. However, with the consent of the Government of Qatar, the consortium continues to perform work with respect to the development of a gas project in the contract area.

Costs of approximately U.S. $21 million incurred and capitalized within the Qatar cost centre related to the development of the natural gas reserves continue to be classified as a major development project and are therefore excluded from costs subject to depletion and depreciation. If the consortium is unable to develop the natural gas reserves, costs capitalized will be subject to depletion and depreciation and a ceiling limitation test. The costs incurred to September 30, 2000 on developing the natural gas reserves are recoverable from oil production in Qatar.

On October 5, 1998, the Company executed a comprehensive strategic agreement with Atlantic Richfield Company and ARCO Qatar Inc. (collectively "ARCO"), which, pursuant to the agreement, expired on October 4, 2000. Under the terms of the agreement, the Company received net proceeds of U.S. $9.4 million on October 5, 1998 for the re-negotiation of certain contractual obligations. In addition, the Company and ARCO had entered into a cost-sharing arrangement whereby, at the Company's option, ARCO had agreed to fund all of the Company's 27.5 percent share of capital costs for the construction of the first Qatar gas gathering and producing facilities project up to a size of 1.2 billion cubic feet of gas per day. The agreement required no additional capital contribution from the Company and recourse was limited to cash flow proceeds from the gas project.

(ii) Block 11 EPSA

Gulfstream has a 27.5 percent participation interest in the Qatar Exploration and Production Sharing Agreement for Offshore Block 11 (the "Block 11 EPSA") (See Note 12). The Block 11 EPSA grants the consortium the exclusive rights to explore for, appraise, develop, produce and sell crude oil and non-associated gas. The term of the Block 11 EPSA is for a period of 30 years from July 16, 1997 with possible extensions of five years each.

Terms of the Block 11 EPSA require the consortium to conduct a 2,000 square kilometre seismic program, to reprocess 500 square kilometres of existing seismic data and to drill a minimum of two exploration wells during the first four years of the contract period.

Madagascar

Letters of Agreement between the Office des Mines et des Industries Strategiques (OMNIS) and Gulfstream were executed on October 5, 1995. Gulfstream and OMNIS entered into a joint

operating agreement dated July 14, 1997. These Agreements establish a joint venture association and the parties' rights and obligations for the purpose of prospecting for, researching, exploiting, transporting, processing and marketing of hydrocarbons located within the offshore Majunga Basin, called the Antonibe Area, and the onshore Morondova Basin, called the Tsiribihina Area. In the Antonibe Area, the Company is responsible for 97.5 percent of the capital costs and has a participating interest of 79.95 percent before a 200 percent risked payout, decreasing to 48.75 percent after payout. In addition, in the Antonibe Area the Company has agreed to incur on behal of a third party, 2.50 percent of the capital costs, which are recoverable from any future production. In the Tsiribihina Area, the Company is responsible for 100 percent of the capital costs and has a participating interest of 82 percent before a 200 percent risked payout, decreasing to 50 percent after payout. Gulfstream is designated as the Operator.

The Company's minimum financial obligation to develop the Madagascar properties requires total capital expenditures of U.S. $13,650,000, of which U.S. $11,326,000 (1999 - U.S. $9,665,000) has been incurred to September 30, 2000.

Oman

Gulfstream entered into an Exploration and Production Sharing Agreement (the "Oman EPSA"), dated July 26, 1997, with the Government of the Sultanate of Oman. The Oman EPSA grants to Gulfstream, subject to the terms of the agreement, the exclusive right to explore for, develop and produce petroleum within the Block 30 (Hafar) contract area, and sell or dispose of its share of the petroleum discovered. The initial term of the agreement extends for three years from October 6, 1997, the date of issue of the Royal Decree by His Majesty The Sultan ratifying the agreement, and is extendable for an additional three years upon payment of a U.S. $500,000 renewal bonus. Gulfstream's initial term financial obligation requires expenditures of at least U.S. $8,000,000 primarily related to processing of seismic data and drilling of an exploratory well. At September 30, 2000, U.S. $12,195,000 (1999 - U.S. $9,810,000) has been incurred.

The plan of development for Block 30 was approved by the Government of the Sultanate of Oman on October 18, 1999 and on June 6, 2000, Gulfstream signed a gas sales agreement with the Government, for an annual contract quantity averaging 84 million cubic feet per day, with provision for excess amounts.

As provided under the terms of the Oman EPSA, the Company declared a commercial discovery in Block 30 effective October 1, 2000. In conjunction with this, Gulfstream paid a bonus of U.S. $1,000,000 to the Government. Under the terms of the agreement an additional U.S. $1,400,000 payment to a consultant remains to be paid. In addition, Gulfstream is required to pay the Government a production bonus of U.S. $2,000,000 on the first anniversary of first commercial production.

Indonesia

The Company sold its interests in Indonesia for proceeds of U.S. $250,000 and recorded a gain in interest and other income in 2000. The Company wrote off its remaining capitalized costs of approximately $1,322,000 in 1999 due to ongoing political and economic instability.

Corporate

The assets of Gulfstream Resources Canada Limited consist primarily of cash and cash equivalents and corporate fixed assets.

4. PROPERTY, PLANT AND EQUIPMENT

	Oil and Gas Interests		Fixed Assets	
	2000	1999	**2000**	1999
Cost	**$ 138,697,107**	$ 121,545,063	**$ 2,206,589**	$ 3,373,540
Accumulated depletion and depreciation	**(20,923,639)**	(14,639,288)	**(1,807,759)**	(1,477,592)
Net carrying value	**$ 117,773,468**	$ 106,905,775	**$ 398,830**	$ 1,895,948

The Company capitalized interest on unproved properties and major development projects of $nil (1999 - $859,000) and general and administrative expenses of $2,673,000 (1999 - $3,005,000).

5. BANK INDEBTEDNESS

On October 5, 1999, the Company repaid all amounts outstanding (U.S. $2,359,000) and terminated its U.S. $37 million credit facility. As a result, the bank indebtedness outstanding at September 30, 1999 was classified as a current liability.

The Company designated the U.S. dollar denominated debt as a hedge of the net investment in self-sustaining foreign operations and therefore included foreign exchange gains and losses from the translation of the debt into Canadian dollars in the cumulative translation account.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash balances with banks, investments in term deposits with a maturity date of less than three months and marketable securities. Marketable securities are recorded at $39,500 (1999 - $100,000) and the market value at September 30, 2000 is $39,800 (1999 - $290,000). The balance at year-end is comprised of the following amounts:

	2000	1999
Cash balances with banks	**$ 574,119**	$ 828,527
Short-term deposits and marketable securities	**39,500**	5,668,567
	$ 613,619	$ 6,497,094

7. SHARE CAPITAL

Authorized

An unlimited number of common shares.

Issued and Outstanding

	Common Shares	**Amount**
Balance, September 30, 1998	59,416,098	$ 68,745,589
Exercise of options in 1999	90,000	145,200
Balance, September 30, 1999 and 2000	59,506,098	$ 68,890,789

Issued and Outstanding Warrants to Purchase Common Shares

There are no warrants outstanding at September 30, 2000. Warrants to purchase 50,000 common shares at an exercise price of $7.22 per share were surrendered to the Company on October 26, 1999.

Outstanding Options Issued to Officers, Employees, Consultants and Directors to Purchase Common Shares

Options to acquire common shares are granted from time to time at exercise prices equal to the market value of shares at the date of grant. Stock options issued and outstanding are as follows:

Issued	Expiry Date	Exercise Price ($)	Balance, Sept. 30, 1999	Issued in Fiscal 2000	Exercised in Fiscal 2000	Cancelled in Fiscal 2000	Balance, Sept. 30, 2000
Aug. 1994	Aug. 15, 2004	1.24	647,000	-	-	-	647,000
Apr. 1995	Apr. 4, 2005	1.58	120,000	-	-	-	120,000
May 1995	Apr. 30, 2005	2.08	1,830,000	-	-	-	1,830,000
Oct. 1995	Oct. 4, 2005	3.60	299,000	-	-	-	299,000
July 1996	July 9, 2006	5.25	922,000	-	-	28,000	894,000
July 1997	July 15, 2007	9.70	564,500	-	-	15,000	549,500
Oct. 1997	Oct. 22, 2007	11.30	20,000	-	-	-	20,000
Feb. 1998	Feb. 1, 2008	7.55	20,000	-	-	-	20,000
Mar. 1998	Mar. 23, 2008	6.90	577,500	-	-	15,000	562,500
Oct. 1998	Oct. 12, 2008	4.25	932,500	-	-	47,500	885,000
Feb. 1999	Feb. 1, 2009	3.30	650,000	-	-	500,000	150,000
Jan. 2000	Jan. 20, 2010	1.90	-	500,000	-	40,000	460,000
Jun. 2000	Jun. 26, 2010	1.90	-	125,000	-	-	125,000
			6,582,500	625,000	-	645,500	6,562,000

Net Income Per Common Share

The weighted average number of common shares outstanding for the basic and fully diluted earnings per share calculations for the year ended September 30, 2000 was 59,506,098 (1999 - 59,440,427) and 66,068,098 (1999 - 65,049,598) respectively.

The following table summarizes the stock options outstanding at September 30, 2000:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$ 1.24 to 1.90	1,352,000	6.3	$ 1.56
2.08 to 4.25	3,164,000	5.8	2.89
5.25 to 7.55	1,476,500	6.4	5.91
9.70 to 11.30	569,500	6.8	9.76
	6,562,000		

8. INCOME TAXES

The majority of operations are conducted in foreign jurisdictions and substantially all income is earned outside Canada. The following table reconciles the expected Canadian income taxes, as if all income was earned in Canada, to the provision recorded in the financial statements.

	2000	1999
Income before provision for income taxes	**$ 3,457,817**	$ 9,306,329
Combined Canadian federal and provincial income tax rate	**44.6%**	44.6%
Expected tax provision	**1,542,186**	4,150,623
Effect of:		
Capital gain on contract settlement income	**-**	(6,502,755)
Write-down of oil and gas interests	**-**	589,783
Rate differences in foreign jurisdictions	**(792,457)**	(548,142)
Losses not recognized for tax accounting	**1,545,980**	4,397,025
Capital Gain on sale of assets	**(163,658)**	-
Provision for income taxes	**$ 2,132,051**	$ 2,086,534

9. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies described elsewhere in the financial statements, the Company has guaranteed certain financial and performance obligations of a third party oil and gas company on a subordinated basis, in favour of a foreign government to a maximum of U.S. $2,000,000. Gulfstream has been provided an indemnity which ranks senior to all existing and future debt of the third party. Under the terms of the arrangement, Gulfstream received a cash payment of U.S. $50,000, an 8 percent ownership interest (10,000 common shares) in the third party with Board of Directors representation and an option to acquire an additional 40,000 shares (representing approximately 15 percent of the shares and options presently outstanding) at U.S. $15.00 per share until 2004.

10. FINANCIAL INSTRUMENTS

Financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank indebtedness and corporate guarantees.

Credit Risk

A substantial portion of the Company's accounts receivable are with customers and joint venture participants in the oil and gas industry and are subject to normal industry credit risks. The carrying amount of accounts receivable reflects management's assessment of the credit risk associated with these customers and participants.

Fair Values of Financial Assets and Liabilities

The fair values of financial assets and liabilities that are included in the consolidated balance sheet approximate their carrying amount due to the short-term maturity of those instruments.

11. COMPARATIVE FIGURES

Certain comparative information has been reclassified to conform to the presentation adopted at September 30, 2000.

12. EVENTS SUBSEQUENT TO SEPTEMBER 30, 2000

On October 12, 2000, Gulfstream and Chieftain International, Inc. ("Chieftain") entered into a subscription agreement whereby Chieftain acquired 4,852,258 common shares of Gulfstream for U.S. $5,000,000 or Cdn $1.55 per share, representing approximately 8.2 percent of the issued and outstanding shares of the Company. Chieftain has an option to acquire, at an agreed upon price, a 21.25 percent participation interest in assets covered by the Qatar EPSA. The option also includes a 13.75 percent participation interest in the Block 11 EPSA. The term of the option is three months with provision for a further three month extension. Should Chieftain exercise its option, it will also be required to fund certain capital expenditures on behalf of Gulfstream.

On December 6, 2000, the Company entered into a loan agreement for U.S. $10,000,000 with a major international bank. The loan is repayable in five quarterly installments beginning April 11, 2001. The quarterly payment, including principal and interest, is determined by multiplying approximately 89,000 barrels of oil by the weighted-average Brent reference price for the previous quarter. The effective interest rate is 7.84 percent.

Subject to closing occurring, effective March 1, 2000, Gulfstream will have exercised its right of first refusal to acquire Wintershall AG's 15 percent participation interest in the assets covered by the Qatar EPSA for approximately U.S. $3,500,000 including adjustments on closing. Gulfstream's resulting participation interest would increase from 27.5 percent to 42.5 percent. If and only if a gas sales agreement is negotiated, and Gulfstream is a party to that gas sales agreement relating to the Qatar EPSA, Gulfstream has agreed to also pay Wintershall AG up to U.S. $10,000,000 from a portion of Gulfstream's net cash flow attributable to the gas project. Closing is to occur on or before June 30, 2001. The results of operating activities between the effective date and the closing date will be capitalized as a part of the purchase price.

On November 21, 2000, Gulfstream signed an agreement to purchase British Gas Qatar Limited, which holds a 25 percent interest in the Qatar EPSA for approximately U.S. $4,000,000 plus adjustments on closing. This transaction would increase Gulfstream's participation interest from 42.5 percent to 67.5 percent, subject to a right of first refusal by the other consortium members. On November 29, 2000, a series of agreements was signed between Gulfstream, ARCO Qatar Inc., Wintershall AG, BG Exploration & Production and Preussag Energie GmbH, whereby Gulfstream increased its participation interest in the Block 11 EPSA from 27.5 percent to 49 percent and Wintershall increased its participation interest from 15 percent to 51 percent. Wintershall is designated as Operator. The total cost to Gulfstream for the acquisition of the additional interest in Block 11 is U.S. $1,654,000.

On November 13, 2000, the Company declared a dividend of 0.25 cents per share to be paid on December 29, 2000 to shareholders of record on December 13, 2000.

FIVE YEAR HISTORY

($million except where noted)	2000	1999	1998	1997	1996
Al Rayyan production (mbbls/d)	**3.3**	4.6	6.1	4.9	-
Total production (mbbls/d)	**3.3**	4.6	7.6	6.9	2.2
Al Rayyan sales	**24.3**	18.6	21.5	17.0	-
Total revenue	**$ 25.4**	$ 34.6	$ 50.3	$ 36.4	$ 19.5
Al Rayyan expense	**12.8**	12.4	12.7	8.2	-
Other project expense	**-**	-	4.0	7.2	6.4
Administration expense	**2.3**	3.5	1.4	2.4	1.5
DD&A	**6.8**	7.9	5.5	2.9	0.2
Write-downs	**-**	1.3	10.5	-	-
Interest and financing	**-**	0.2	1.8	0.7	-
Total expenses	**$ 21.9**	$ 25.3	$ 35.9	$ 21.4	$ 8.1
Income tax	**2.1**	2.1	4.5	7.2	6.0
Net income	**$ 1.3**	$ 7.2	$ 10.0	$ 7.8	$ 5.4
Cash flow, before working capital changes	**$ 7.4**	$ 16.5	$ 7.8	$ 10.4	$ 5.2
Financing	**$ (3.6)**	$ (17.9)	$ 1.2	$ 63.0	$ 12.5
Investing, before working capital changes	**$ (11.4)**	$ (29.6)	$ (20.1)	$ (31.2)	$ (24.7)
Net PP&E	**$ 118.2**	$ 108.8	$ 93.8	$ 65.4	$ 35.7
Total assets	**$ 121.7**	$ 118.0	$ 138.8	$ 121.9	$ 46.9
Debt	**$ -**	$ 3.5	$ 20.8	$ 19.6	$ -
Shareholders' equity	**$ 111.7**	$ 107.2	$ 106.3	$ 90.2	$ 38.0

CORPORATE INFORMATION

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Player Petroleum Corporation
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Prost Investments Limited
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J. Angus McKee
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Dresdner Kleinwort Benson
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Shell Canada Limited
Formerly President and Chief Executive Officer
Prism Sulphur Corporation
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